VALLEY LO TOWERS I
CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

Year ended December 31, 2015 with comparative totals for 2014

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Lo Towers I
Condominium Association
Glenview, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Lo Towers I Condominium Association, which comprise the balance sheets as of December 31, 2015, and the related statements of revenue, expenditures and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Lo Towers I Condominium Association as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Valley Lo Towers I Condominium Association's 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of certain balance sheet account groups (page 9), revenue over (under) expenditures (page 10), revenue accounts (page 11) and expenditures (pages 12-15) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information (except for the budget information which was compiled without audit or review from information that is the representation of management, on which we do not express an opinion or any other form of assurance) has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Batavia, Illinois
April 21, 2016

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

BALANCE SHEETS

December 31, 2015 with comparative totals for 2014

	2015			
	Operating Fund	Replacement Fund	Total	2014 Total
ASSETS				
Cash, including interest-bearing accounts	$ 266,645	663,611	930,256	855,031
Accounts receivable, less allowance for doubtful accounts of $33,000 in 2014	2,454		2,454	7,805
Prepaid expenses	16,360		16,360	16,573
Due from replacement fund	47,126		47,126	52,962
TOTAL ASSETS	$ 332,585	663,611	996,196	932,371
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenditures	$ 21,308		21,308	134,179
Assessments received in advance and deposits	20,739		20,739	15,011
Due to operating fund		47,126	47,126	52,962
TOTAL LIABILITIES	42,047	47,126	89,173	202,152
FUND BALANCES				
Available for operations	290,538		290,538	260,810
Available for replacement of common elements		616,485	616,485	469,409
TOTAL FUND BALANCES	290,538	616,485	907,023	730,219
TOTAL LIABILITIES AND FUND BALANCES	$ 332,585	663,611	996,196	932,371

See accompanying notes to financial statements.

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended December 31, 2015 with comparative totals for 2014

	2015			
	Operating Fund	Replacement Fund	Total	2014 Total
REVENUE				
Unit owner assessments	$ 468,320	192,309	660,629	660,215
Interest		1,523	1,523	1,652
Other	21,803		21,803	9,293
TOTAL REVENUE	490,123	193,832	683,955	671,160
EXPENDITURES				
General and administrative	58,354		58,354	91,280
Operating	298,556		298,556	292,869
Maintenance and repairs	73,417		73,417	60,552
Insurance	30,068		30,068	28,915
Capital expenditures		46,756	46,756	239,775
TOTAL EXPENDITURES	460,395	46,756	507,151	713,391
REVENUE OVER (UNDER) EXPENDITURES	29,728	147,076	176,804	(42,231)
FUND BALANCES AT BEGINNING OF YEAR	260,810	469,409	730,219	772,450
FUND BALANCES AT END OF YEAR	$ 290,538	616,485	907,023	730,219

See accompanying notes to financial statements.

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

STATEMENTS OF CASH FLOWS

Year ended December 31, 2015 with comparative totals for 2014

	2015			
	Operating Fund	Replacement Fund	Total	2014 Total
CASH AT BEGINNING OF YEAR	$ 222,231	632,800	855,031	785,067
CASH FLOWS FROM OPERATING ACTIVITIES				
Unit owner assessments received	480,749	192,309	673,058	667,858
Interest received		1,523	1,523	1,652
Other income received	20,453		20,453	5,796
Operating expenses paid	(462,624)		(462,624)	(475,996)
Capital expenditures paid		(157,185)	(157,185)	(129,346)
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,578	36,647	75,225	69,964
CASH FLOWS FROM FINANCING ACTIVITY				
Interfund borrowings	5,836	(5,836)		
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITY	5,836	(5,836)		
NET INCREASE IN CASH	44,414	30,811	75,225	69,964
CASH AT END OF YEAR	$ 266,645	663,611	930,256	855,031
RECONCILIATION OF REVENUE OVER (UNDER) EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Revenue over (under) expenditures	$ 29,728	147,076	176,804	(42,231)
Bad debts				1,500
Effects of all deferrals and accruals on operating receipts and payments:				
Changes in accounts receivable	5,351		5,351	(783)
Changes in prepaid expenses	213		213	(748)
Changes in accounts payable and accrued expenditures	(2,442)	(110,429)	(112,871)	108,797
Changes in assessments received in advance and deposits	5,728		5,728	3,429
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 38,578	36,647	75,225	69,964

See accompanying notes to financial statements.

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

1. Significant accounting policies

The Valley Lo Towers I Condominium Association (the "Association") financial statements and income tax returns are prepared on the accrual basis of accounting, which recognizes revenue when it is earned or due and expenditures when they are incurred.

The Association uses the fund method of accounting which requires that funds such as operating funds and funds restricted for future major repairs and replacements be classified separately for accounting and reporting purposes. Expenses from the operating fund are generally at the discretion of the Board of Directors, while expenditures from the replacement fund are to be made only for their designated purposes.

Cash, including interest-bearing accounts consist of checking accounts and money market accounts. Insurance costs are amortized over the periods covered by the premiums.

Accounts receivable are unit owner obligations due for unpaid assessments and other monthly charges. Payments on receivables that are received after a 10-day grace period are assessed a late fee of $75. Late fees are recognized as income when billed. Accounts receivable are stated at the amount billed to the unit owner. Unit owner account balances with invoices dated over 30 days old are considered delinquent. Payments of accounts receivable are allocated to the specific charges identified on the unit owner's remittance advice or, if unspecified, are applied to the earliest unpaid balance.

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects the Association's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from the due date and based on an assessment of the current legal status, estimates the portion, if any, of the balance that will not be collected.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

2. Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 21, 2016, the date that the financial statements were available to be issued.

3. Association organization and operations

The Association, which was incorporated on October 21, 1992, is an Illinois not-for-profit corporation responsible for the direction and administration of certain property held in trust under a Declaration of Condominium Ownership and of Easements, Restrictions, Covenants and By-Laws. The Association, which encompasses 118 assessable residential units, is the governing body for all of the unit owners to provide for the maintenance, repair, replacement, administration and operation of the property, except individual units, covered by its Declaration.

The Board of Directors, elected by the unit owners in accordance with the Declaration, is responsible for the Association's management, including establishment of budgets used to determine assessments and other financial matters. Assessments for operation and maintenance of the Association and for future capital replacements and improvements of its common elements are charged to unit owners based upon their percentages of ownership as stated in the Declaration.

The unit owners hold title to their individual units and an undivided interest in the common elements including storage areas, the buildings, improvements and the land on which the buildings are situated. As of December 31, 2015, the buildings were insured for their guaranteed replacement cost. The common elements are not subject to real estate taxes because the real estate tax assessed values of individual units include the common elements.

4. Income taxes

Under current federal income tax laws, a homeowners' association may elect each year to file its federal income tax return as a not-for-profit homeowners' association or as a for-profit corporation. For 2014, the Association filed its income tax returns as a not-for-profit homeowners' association with no income tax liability. For 2015, the Association intends to file its income tax returns as a for-profit corporation with an income tax liability of approximately $450.

For income tax purposes, as of December 31, 2015, the Association has cumulative net operating losses for state purposes in the amount of $8,404. The net operating losses begin to expire in 2024.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal and state income tax returns for 2014, 2013 and 2012 remain open to examination by the Internal Revenue Service and by the state. In evaluating the Association's tax provision and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

5. Future major repairs and replacements

The Association's Declaration states that the Board shall maintain an adequate replacement fund for the replacement of the common elements. An independent consulting company conducted a study in January 2014 to estimate the remaining useful lives and the replacement costs of the components of common elements. The estimates were based on 2014 estimated replacement costs.

The study considers an annual inflation rate of two and six-tenths percent and an interest rate of one quarter of one percent on amounts funded for future major repairs and replacements. The Board is funding for future major repairs and replacements over the remaining useful lives of the components based on the study's estimates of 2014 replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of $192,071 has been included in the 2016 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for major repairs and replacements of the common element components. Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available. As of December 31, 2015, the Association had accumulated $616,485 of equity available in the replacement fund for future major repairs and replacements.

6. Fair value

In determining fair value, the Association uses various valuation approaches for fair value measurement within FASB ASC 820. Fair value measurements are determined based on the assumptions that the market participants would use in pricing an asset or liability.

FASB ASC 820 established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the uses of unobservable inputs by requiring that the most observable inputs be used when available. The defined levels within the hierarchy based on the reliability of inputs are as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The Association measures fair value for money markets as classified within Level 1 of the valuation hierarchy. The Association does have a materiality threshold for adjusting to fair value, and believes all cash reflects fair value at December 31, 2015 with no material variance.

7. Uninsured cash balances

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash, including interest-bearing accounts in financial institutions, which from time to time exceed the Federal depository insurance coverage limit. Cash, including interest-bearing accounts exceeding federally insured limits totaled $16,645 at December 31, 2015.

SUPPLEMENTARY INFORMATION

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION
SCHEDULE OF CERTAIN BALANCE SHEET ACCOUNT GROUPS
December 31, 2015 with comparative totals for 2014

	2015 Total	2014 Total
CASH, INCLUDING INTEREST-BEARING ACCOUNTS		
Checking	$ 266,645	222,231
Money market	663,611	632,800
	$ 930,256	855,031
ACCOUNTS RECEIVABLE		
Assessments, and other amounts due from unit owners and tenants	$ 2,454	40,805
Less allowance for doubtful accounts		(33,000)
	$ 2,454	7,805
ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES		
Accounts payable-operating	$ 17,108	19,550
Accounts payable-replacement		110,429
Accrued expenditures- Audit	4,200	4,200
	$ 21,308	134,179
ASSESSMENTS RECEIVED IN ADVANCE AND DEPOSITS		
Assessments received in advance	$ 17,214	10,136
Deposits	3,525	4,875
	$ 20,739	15,011

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF REVENUE OVER (UNDER) EXPENDITURES

Year ended December 31, 2015 with comparative totals for 2014

	2015				
	Operating Fund	Replacement Fund	Total	*Budget	2014 Total
REVENUE					
Unit owner assessments	$ 468,320	192,309	660,629	660,660	660,215
Interest		1,523	1,523	1,500	1,652
Other	21,803		21,803		9,293
TOTAL REVENUE	490,123	193,832	683,955	662,160	671,160
EXPENDITURES					
General and administrative	58,354		58,354	91,000	91,280
Operating	298,556		298,556	278,441	292,869
Maintenance and repairs	73,417		73,417	69,610	60,552
Insurance	30,068		30,068	29,300	28,915
Capital expenditures		46,756	46,756	132,000	239,775
TOTAL EXPENDITURES	460,395	46,756	507,151	600,351	713,391
REVENUE OVER (UNDER) EXPENDITURES	$ 29,728	147,076	176,804	61,809	(42,231)

***Unaudited**

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF REVENUE ACCOUNTS

Year ended December 31, 2015 with comparative totals for 2014

	2015		2014
	*Budget	Actual	Actual
REVENUE			
Unit owner assessments	$ 660,660	660,629	660,215
Interest	1,500	1,523	1,652
Other			
Cable television		11,900	
Late fees and NSF fees		375	1,187
Fines and fees		166	150
Keys and transmitters		1,625	2,272
Electric charges			114
Repairs charged to owners/tenant		684	297
Collection fees reimbursable		7,053	
Professional fees			5,273
		21,803	9,293
TOTAL REVENUE	$ 662,160	683,955	671,160

***Unaudited**

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2015 with comparative totals for 2014

	2015		2014
	*Budget	Actual	Actual
GENERAL AND ADMINISTRATIVE			
Recreation facility	$ 33,108	33,108	33,108
Management	31,432	31,432	30,816
Bad debts (recovery)	8,000	(32,900)	1,500
Telephone and internet	5,500	6,266	4,977
Legal	4,000	2,080	10,600
Audit	3,000	4,200	4,200
Printing and copier	2,500	3,227	3,346
Management fee special project	1,180	60	90
Postage and delivery	1,000	1,232	972
Board expense	750	545	600
Fees and permits	200	270	205
Miscellaneous	200	1,221	262
Office supplies	100		
Bank fees	30	50	50
Signs and directory			309
Parties and special events		74	
Income taxes		436	
Legal collections		7,053	245
Total general and administrative	91,000	58,354	91,280

***Unaudited**

Continued...

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2015 with comparative totals for 2014

	2015		2014
	*Budget	Actual	Actual
...Continued			
OPERATING			
Maintenance	$ 58,715	49,772	48,870
Part-time maintenance		11,193	6,412
Total wages	58,715	60,965	55,282
Benefits	11,888	13,065	10,879
Payroll taxes	6,125	5,866	5,313
Total wages, benefits and payroll taxes	76,728	79,896	71,474
Electricity	53,000	68,808	55,368
Water and sewer	36,000	34,177	36,250
Gas	28,000	23,526	28,998
Landscaping	28,000	28,000	28,000
Snow removal	15,000	12,457	25,991
Heating, ventilating and air conditioning	9,607	10,808	9,607
Elevator	9,415	17,242	12,250
Security	9,332	9,331	9,331
Scavenger	9,200	9,214	9,535
Elevator fees and permit	1,345	1,645	1,345
Exterminating	1,272	1,272	1,272
Window washing	1,240	1,040	1,240
Cable television	302	365	308
Janitorial		775	1,900
Total operating	278,441	298,556	292,869

***Unaudited**

Continued...

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2015 with comparative totals for 2014

	2015		2014
	*Budget	Actual	Actual
...Continued			
MAINTENANCE AND REPAIRS			
Fire and safety	$ 22,813	22,971	25,462
Landscaping extras	10,000	4,920	8,727
Repair material	7,667	6,373	6,180
Plumbing contract extras	5,000	6,079	1,637
Summer annuals	4,600	2,400	3,600
HVAC supplies	4,000		
Emerald ash borer	4,000	4,028	4,000
Tree maintenance and pruning	2,160	3,095	2,590
Parking/garage	2,000	971	3,564
Miscellaneous	2,000	23	
Janitorial supplies	1,500	347	1,046
Roofs	1,500		
Lighting	1,000	5,476	765
Electrical	500		
Doors and windows	500	4,101	25
Carpet and tile cleaning	370		358
Plumbing supplies and repairs			2,211
Common area furniture and fixtures		207	
Unit owner reimbursements		684	387
Shrub and tree mulching		11,200	
Exterior maintenance		17	
Pool and fitness		222	
Fitness room		198	
Hospitality room		105	
Total maintenance and repairs	69,610	73,417	60,552
INSURANCE	29,300	30,068	28,915

***Unaudited**

Continued...

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF EXPENDITURES

Year ended December 31, 2015 with comparative totals for 2014

	2015		2014
	*Budget	Actual	Actual
...Continued			
CAPITAL EXPENDITURES			
Building improvements	$ 125,000	3,167	187
Driveways	7,000		
Landscape improvements		25,952	
Common area furniture and fixtures		1,540	12,055
Common area carpet		3,927	142,902
Common area painting		12,170	84,338
Fitness equipment			293
Total capital expenditures	132,000	46,756	239,775
TOTAL EXPENDITURES	$ 600,351	507,151	713,391

***Unaudited**

VALLEY LO TOWERS I CONDOMINIUM ASSOCIATION

SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2015

(UNAUDITED)

An independent consulting company conducted a study in January 2014 to estimate the remaining useful lives and the replacement costs of the components of the common elements. The estimates were based on 2014 replacement costs. Funding requirements consider an annual inflation rate of two and six-tenths percent and an interest rate of one and one quarter of one percent on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common elements.

Components	2014 Estimated remaining useful lives	2014 Estimated replacement cost	2016 Funding requirement	Components of fund balance at Dec. 31, 2015
Building services elements	1-30 yrs	$ 2,280,282		
Exterior building elements	1-29 yrs	1,945,494		
Interior building elements	1-30 yrs	1,612,699		
Property site elements	0-30 yrs	646,149		
Garage elements	2-27 yrs	332,850		
		$ 6,817,474	$192,071	$616,485